

Life Internal Controls Questionnaire

Ref: Section 601.43, Wis. Stat.

State of Wisconsin
Office of the Commissioner of Insurance
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Control Risk—Operations Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure along with an indication of the individual(s) at the company who performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company. (If the operations and control environments of affiliates subject to this letter are substantially similar, only one set of responses is necessary for those affiliates.)

Other Assets

- _____ Does management review assets for compliance with the classification, valuation, and regulatory requirements or limitations? By (whom) _____.
- _____ Are changes that are made to the equipment inventory data reviewed to ensure that changes are authorized and that approved transactions are updated to the inventory on a timely basis? By (whom) _____.
- _____ Are the equipment control records periodically inspected and reconciled to asset ledgers by an individual independent of the custodial function? By (whom) _____.
- _____ Do procedures exist to prevent unauthorized individuals from purchasing or selling assets? By (whom) _____.
- _____ Is access to asset records limited to authorized personnel? By (whom) _____.
- _____ Is there a separation of duties between employees accounting for assets and those employees authorizing asset decisions? By (whom) _____.
- _____ Does management have safeguards in place to prevent unauthorized access to equipment? By (whom) _____.
- _____ Does management review the depreciation calculation and verify that the calculations are in accordance with guidelines established by the NAIC Accounting Practices and Procedures Manual? By (whom) _____.
- _____ Does the board of directors or authorized personnel approve all major equipment acquisitions? By (whom) _____.
- _____ Are reviews completed for those purchases and other asset transactions settling after year-end? By (whom) _____.
- _____ Do controls exist to verify that quoted prices on asset transactions are compared periodically to purchase/sale prices by persons independent of those executing and approving transactions? By (whom) _____.

Control Risk—Operations Cycle (continued)

- _____ Does management periodically evaluate the financial condition and capabilities of suppliers and property managers or owners and others with whom the reporting entity has established business relationships? By (whom) _____.
- _____ Are assumptions for future cash flow projections on leaseholds and major purchases, which are on an installment basis, periodically reviewed and monitored by management? By (whom) _____.
- _____ Are equipment and supplies including pharmaceutical supplies, which cannot be located, promptly written off? By (whom) _____.
- _____ Does management perform periodic asset reviews to identify and record other than temporary impairments? By (whom) _____.

Health Care Delivery Assets

- _____ Has management adopted specific guidelines for the classification of health care delivery assets? By (whom) _____.
- _____ Is there an asset control system that provides for the identification of quantities on hand and valuation of lower of cost or market (e.g., supplies, pharmaceuticals and surgical supplies, and durable medical equipment) as required by SSAP No. 73, paragraph 5? By (whom) _____.
- _____ Are daily inventory supply reports reviewed by someone independent of the processing of the transactions? By (whom) _____.
- _____ Are there procedures to write off pharmaceutical supplies in accordance with an established policy, such as by expiration date? By (whom) _____.

Taxes

- _____ Are applicable taxing authorities identified? By (whom) _____.
- _____ Does management maintain a calendar or other method to ensure that all returns are prepared, filed timely, and that payments made? By (whom) _____.
- _____ Is the intercompany allocation of provision and settlement of tax liability among members of consolidated groups documented and reviewed? By (whom) _____.
- _____ Are the reserve amounts included in federal income tax calculations and premium tax calculations reconciled to recorded provisions in the Annual Statement? By (whom) _____.
- _____ Is the federal and state taxable income reconciled with statutory income? By (whom) _____.
- _____ Are the premiums used in calculating premium taxes reconciled to recorded premiums? By (whom) _____.

Related Party Transactions

- _____ Are all contracts between related parties reviewed to determine that the terms are fair and reasonable? By (whom) _____.

Control Risk—Operations Cycle (continued)

- _____ Does management review the accounting of related party transactions to verify that the company has utilized the proper valuation method required in SSAP No. 25, paragraph 14? By (whom) _____.
- _____ Are affiliate transactions/agreements, which are subject to the Holding Company Act, reported to the commissioner on a timely basis? By (whom) _____.
- _____ Does the company maintain records so that individual balances are easily identifiable in the aggregate intercompany balances? By (whom) _____.
- _____ Does management periodically review settlements to ensure the settlements comply with the approved provisions of the agreement? By (whom) _____.
- _____ Does the company appropriately exclude amounts resulting from tax sharing and reinsurance agreements from Receivable/Payable to Parent, Subsidiary and Affiliate accounts? By (whom) _____.

General Expenses Due and Accrued

- _____ Are the receiving documentation, purchase approvals, and invoices matched before recording a liability? By (whom) _____.
- _____ Are invoices registered immediately upon receipt? Are duplicate invoices identified? By (whom) _____.
- _____ Is the account distribution reviewed when recording a liability or signing a check? By (whom) _____.
- _____ Are unmatched invoices investigated for inclusion into the estimated liability at the close of a period? By (whom) _____.
- _____ Do procedures exist for reporting isolated events (e.g., insolvency pool/guaranty fund assessments) to accounting personnel for approval? By (whom) _____.

Borrowed Money

- _____ Does the company regularly review and adequately document debt compliance? By (whom) _____.
- _____ Are significant debt arrangements reviewed and approved by the board of directors or a management team appointed by the board of directors? By (whom) _____.
- _____ Are significant debt contracts reviewed for unusual terms? By (whom) _____.
- _____ Are cash flow projections performed to determine adequacy of flows to service the debt? By (whom) _____.

Capital and Surplus

- _____ Are surplus and related equity accounts reconciled between periods? By (whom) _____.
- _____ Are stock registers properly controlled and is stock outstanding reconciled to the general ledger? By (whom) _____.

Control Risk—Operations Cycle (continued)

_____ Are stock issuances reviewed to be in compliance with statutory requirements? By (whom) _____.

_____ Are surplus note registers reconciled to the general ledger and are repayments of notes reviewed for authorization and agreed to terms permitted statutorily? By (whom) _____.

Financial Reporting

_____ Does management review the financial reporting package and identify/follow-up on unusual items? By (whom) _____.

_____ Does management communicate with counsel on a regular basis, identify all outstanding potential litigation and assess the need for accounting consideration and in addition assess compliance with state regulators? By (whom) _____.

_____ Are consolidating/eliminating entries reviewed for reasonableness and consistency? By (whom) _____.

_____ Is the clerical accuracy of reported financial data tested (manually or electronically)? By (whom) _____.

_____ Does management regularly identify and quantify relationships with related parties? By (whom) _____.

_____ Does management identify all significant subsequent events and consider the accounting implications? By (whom) _____.

_____ Does management review all significant contracts entered into and consider accounting implications? By (whom) _____.

_____ Has the company established formal privacy policies and procedures to ensure against the unauthorized release of non-public information? By (whom) _____.

Welfare and Pension Plans

_____ Payroll registers reconciled to general ledger? By (whom) _____.

_____ Distribution of hours to departments reviewed and approved by supervisory personnel? By (whom) _____.

_____ Comparisons of actual payroll amounts to budgeted amounts regularly reviewed by management? By (whom) _____.

_____ Allocation of payroll costs among affiliated companies periodically reviewed for reasonableness? By (whom) _____.

Control Risk—Investment Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure along with an indication of who (delete “the whom” in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Bonds and Stocks
Mortgage Loans on Real Estate
Real Estate
Policy Loans
Collateral Loans
Cash on Hand and on Deposit
Short-Term Investments
Other Invested Assets
Aggregate Write/Ins for Invested Assets
Separate Account Assets

- _____ Has the board of directors adopted a written investment plan with specific guidelines as to the quality, maturity, and diversification of investments? By (whom) _____.
- _____ Does management review investment valuation methods for compliance with company policies and regulatory requirements? By (whom) _____.
- _____ Does management review investments for compliance with the authorized investment plans, including quality, maturity, dollar limits, and regulatory requirements? By (whom) _____.
- _____ Does the board of directors or authorized committee approve all investment transactions? By (whom) _____.
- _____ Are changes made to the investment master file data to ensure that authorized and approved transactions are timely and accurately updated? Are adjustments properly recorded in the subsidiary ledgers and general ledger? By (whom) _____.
- _____ Are the custodian’s account statements and invested asset records periodically inspected and reconciled to investment ledgers by an individual independent of the custodial function? By (whom) _____.
- _____ Does management have a written process in place to assure compliance with the NAIC Securities Valuation Office (SVO) filing requirements set forth in the Purposes and Procedures Manual of the NAIC SVO? By (whom) _____.
- _____ Does management have a written process in place to actively monitor Nationally Recognized Statistical Rating Organization (NRSRO) ratings to ascertain that securities not filed with the NAIC Securities Valuation Office (SVO) meet the ‘filing exempt’ requirements as stated in Part Four of the Purposes and Procedures Manual of the NAIC SVO? By (whom) _____.
- _____ Per the NAIC SVO filing exempt requirements, bonds and preferred stock rated and monitored by at least one NRSRO with no rating lower than the equivalent to the NAIC SVO ‘2’ designation are considered ‘filing exempt’. Public Common Stock is considered filing exempt if it is not restricted to transferability and is listed on the New York Stock Exchange, American Stock Exchange or traded on the NASDAQ National Market System? By (whom) _____.

Control Risk—Investment Cycle (continued)

- _____ Does the insurer have mechanisms in place to subsequently monitor 'filing exempt' securities to properly and timely react if NAIC SVO filing becomes required? By (whom) _____.
- _____ Does management periodically review the security files to determine proper filing with the NAIC SVO for those securities that have lost their filing exemption? By (whom) _____.
- _____ Does management perform periodic investment reviews to identify and record other than temporary impairments? By (whom) _____.
- _____ Is access to securities, investment accounts, and records limited to authorized personnel, including custodians? By (whom) _____.
- _____ Is there separation among duties between employees accounting for investments and those employees authorizing investments decisions? By (whom) _____.
- _____ Are foreign currency translation calculations periodically reviewed by management? By (whom) _____.
- _____ Does management periodically evaluate the financial condition and capabilities of bank custodians, broker/dealers, servicing agents, property managers, and others with whom the insurer has established business relationships? By (whom) _____.

Bonds, Stocks, Short-Term Investments

- _____ Does management review the unrealized and realized gains or losses of investment calculations? By (whom) _____.
- _____ Are assumptions for future cash flow projections on mortgage-backed securities reviewed and monitored by investment management? By (whom) _____.
- _____ Are daily security transaction reports reviewed by someone independent of the processing of the transactions? By (whom) _____.
- _____ Are proper period reviews completed for those securities and other investment transactions settling after year-end review? By (whom) _____.
- _____ Do procedures exist to ensure that investment transactions have been accurately processed and recorded in the investment master file and not duplicated elsewhere? By (whom) _____.
- _____ Are buy and sell orders to brokers periodically compared to broker advice? By (whom) _____.
- _____ Are quoted market prices on investment transaction dates compared periodically to purchase/sale prices by persons independent of those executing and approving transactions? By (whom) _____.
- _____ Do procedures exist to prevent unauthorized individuals from trading securities? By (whom) _____.

Control Risk—Investment Cycle (continued)

Securities Lending Activities

- _____ Has the board of directors or appointed committee developed a written plan for securities lending transactions? By (whom) _____.
- _____ Are employees involved in the credit analysis of securities borrowers different from those participating in the management and recording of the securities lending program and activities? By (whom) _____.
- _____ Are written agreements maintained with the parties who borrow securities from the insurance company that specify the duties and responsibilities of each party which include, but are not limited to, acceptable types of collateral, standards for collateral custody and control, collateral valuation and initial margin, accrued interest, marking to market, margin calls, methods for transmitting coupon or dividend payments received if the security is on loan on the payment date, conditions which will trigger the termination of the loan (including events of default), and acceptable methods of delivery for loaned securities and collateral? By (whom) _____.
- _____ Does a recordkeeping system exist to produce daily reports showing which securities are available for lending, and which are currently loaned, outstanding loans by borrower and returns of loaned securities? By (whom) _____.
- _____ Do adequate procedures exist to ensure that the delivery of loaned securities is not made unless adequate collateral has been received or will be received simultaneously with the delivery? By (whom) _____.
- _____ Are adequate facilities maintained for safekeeping of collateral received on securities loaned? By (whom) _____.
- _____ If the company administers its securities lending program through an authorized financial institution, has the company:
- _____ Obtained a written agreement with the financial institution in which the financial institution assumes liability for any and all losses, claims and other expenses arising out of negligence or willful misconduct with respect to the duties it performs with respect to the securities lending program? By (whom) _____.
- _____ Do procedures exist to mark to market daily securities loaned and collateral held to ensure that any calls for additional collateral are made on a timely basis, minimum collateral levels are maintained, and approved credit limits are not exceeded? By (whom) _____.
- _____ Are securities lending activities periodically audited internally to assess the accuracy of the accounting records, the timeliness of reports, and the company's overall compliance with established policies and procedures? By (whom) _____.
- _____ Contractually obligated its custodian to provide records and reports which support the accounting and Annual Statement requirements? By (whom) _____.
- _____ Does the company's written securities lending plan describe how cash received will be invested? By (whom) _____.
- _____ Do procedures exist to establish limit approvals and monitor credit risk of parties who borrow securities from the insurance company? By (whom) _____.

Control Risk—Investment Cycle (continued)

Repurchase and Reverse Repurchase Agreements

- _____ Has the board of directors or appointed committee developed a written plan for repurchase transactions? By (whom) _____.
- _____ Are employees involved in the credit analysis of a party entering into a repurchase agreement with the insurer different from those participating in the management and recording of the agreements and activities? By (whom) _____.
- _____ Are written agreements maintained with parties who enter into repurchase agreements with the insurer that specify the duties and responsibilities of each party which include, but are not limited to, acceptable types of collateral, standards for collateral custody and control, collateral valuation and initial margin, accrued interest, market tracking, margin calls, methods for transmitting/receiving coupon or dividend payments, conditions which will trigger the termination of the repurchase agreement (including events of default), and acceptable methods of delivery for securities and collateral? By (whom) _____.
- _____ Does a record-keeping system exists to produce daily reports showing the status of securities held for collateral? By (whom) _____.
- _____ Do procedures exist to ensure that the delivery of securities is not made unless adequate collateral has been received or will be received simultaneously with the security delivery? By (whom) _____.
- _____ Are facilities maintained for the safekeeping of collateral held in conjunction with a repurchase agreement? By (whom) _____.
- If the company administers its securities repurchase agreement program through an authorized financial institution, has the company:
- _____ Obtained a written agreement with the financial institution in which the financial institution assumes liability for any and all losses, claims, and other expenses arising out of negligence or willful misconduct with respect to the duties it performs in relation to the repurchase agreement program? By (whom) _____.
- _____ Contractually obligated its custodian to provide records and reports, which support the accounting and Annual Statement requirements? By (whom) _____.
- _____ Do procedures exist to track the daily market value of securities held as collateral to ensure that any calls for additional collateral are made on a timely basis, minimum collateral levels are maintained, and approved credit limits are not exceeded? By (whom) _____.
- _____ Are repurchase agreement activities periodically audited internally to assess the accuracy of the accounting records, the timeliness of reports, and the company's overall compliance with established policies and procedures? By (whom) _____.
- _____ Do procedures exist to establish limit approvals and monitor credit risk of parties who enter into repurchase agreement with the insurance company? By (whom) _____.

Control Risk—Investment Cycle (continued)

Insurer Investment Pools

- _____ Are there written guidelines for the investment pool that specify the duties and responsibilities of each party involved? By (whom) _____.
- _____ Does the investment pool have a designated manager? By (whom) _____.
- _____ Are detailed accounting records maintained for all cash receipts and disbursements? By (whom) _____.
- _____ Do the investment pool accounting records reflect the types of securities and maturities underlying the investment pool? By (whom) _____.
- _____ Is each participant's proportionate share in the investment pool readily identified in the accounting records? By (whom) _____.

Cash on Hand and on Deposit

- _____ Is the bank reconciliation function separate from the issuance of checks and cash receipts function? By (whom) _____.
- _____ Is there a responsible official that regularly reviews the company's cash position and approves investment of excess cash? By (whom) _____.
- _____ Do funds moved electronically require the use of code words, number codes, callbacks, or other security procedures? By (whom) _____.
- _____ Do procedures exist to account and safeguard cash and assets that are not deposited when received? By (whom) _____.

Derivative Transactions

- _____ Has management established written guidelines for entering into derivative transactions? By (whom) _____.
- _____ Do the guidelines address investment objectives and risk constraints, permissible transactions, and the relationship of those transactions to its operations? By (whom) _____.
- _____ Do procedures exist to ensure that purchase transactions do not exceed limitations promulgated by the insurer's state of domicile? By (whom) _____.
- _____ Does the company have a monitoring system for determining whether a derivative instrument used for hedging has been effective? By (whom) _____.
- _____ Do procedures exist to ensure that derivative transactions have been accurately documented? By (whom) _____.
- _____ Do procedures exist to prevent unauthorized personnel from engaging in derivative transactions? By (whom) _____.
- _____ Do procedures exist to measure credit risk? By (whom) _____.

Control Risk—Investment Cycle (continued)

_____ Does the Board of Directors or investment committee determine whether there are adequate professional personnel and adequate systems to engage in derivative transactions? By (whom) _____.

Policy Loans and Premium Notes

_____ Are policy loans/premium notes reconciled to the policy loan inventory balance in the general ledger periodically? By (whom) _____.

_____ Are policy loans periodically compared to cash surrender values? By (whom) _____.

_____ Are available policy loan values recomputed and compared to automatic premium loan amounts? By (whom) _____.

_____ Are policy loan applications compared to policy applications and terms prior to issuing new loans? By (whom) _____.

Real Estate, Mortgage Loans and Collateral Loans

_____ Has the company instituted underwriting policies and guidelines (e.g., title searches, appraisals) for accepting liens against property and have they been periodically evaluated? By (whom) _____.

_____ Are new mortgage loans reviewed and monitored for compliance with authorized investment objectives, dollar limits, and regulatory requirements? By (whom) _____.

_____ Are the perfection of deed, status of existing loans, hazard insurance, and property tax payments monitored? By (whom) _____.

_____ Is loan information entered into the processing system monitored by someone independent of the processing function to ensure accuracy and completeness? By (whom) _____.

_____ Are reclassifications of foreclosed mortgage loans reviewed and approved by management? By (whom) _____.

_____ Are internal and external appraisals periodically reviewed by investment personnel as to methodology, review of assumptions, and capitalization rates, in accordance with SSAP No. 40, paragraph 11? By (whom) _____.

_____ Are current appraisals obtained for loans in foreclosure, real estate held for sale, and impaired real estate properties (as described in SSAP No. 40, paragraph 9)? By (whom) _____.

Investment Income Due and Accrued

Unearned Investment Income

_____ Is expected investment income compared with actual amounts received and reviewed by management? By (whom) _____.

_____ Are investment yield reports regularly prepared and fluctuations investigated by appropriate officials? By (whom) _____.

Control Risk—Investment Cycle (continued)

_____ Is investment income received/receivable detail regularly reconciled to the general ledger control accounts by employees having no access to investments or cash receipts? By (whom) _____.

_____ Are investment income accruals, amortization of premiums, accretion of discounts, and interest purchased and sold recomputed for clerical accuracy? By (whom) _____.

Separate Accounts

_____ Does management approve the fund transfers between the separate account and general account functions? By (whom) _____.

_____ Are separate account transactions settled after year-end reviewed for proper period entry? By (whom) _____.

_____ Do procedures exist to ensure that separate account transactions have been accurately processed and reconciled to the general ledger? By (whom) _____.

Asset Valuation Reserve

Interest Maintenance Reserve

_____ Are the interest maintenance reserve and asset valuation reserve calculations reviewed by financial management? By (whom) _____.

_____ Do procedures exist to ensure that the realized capital gains/losses used to compute the interest maintenance reserve are accurate and complete? By (whom) _____.

Receivable/Payable for Securities

_____ Are the recorded receivables/payables reviewed by someone independent of the transactional function? By (whom) _____.

_____ Do procedures exist to ensure that receivables/payables have been completely processed and recorded? By (whom) _____.

_____ Are sell/buy orders to brokers compared to recorded receivable/payable transactions? By (whom) _____.

Control Risk—Loss Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure, along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Aggregate Reserve For Life Policies and Contracts
Aggregate Reserve For Accident and Health Policies
Liability for Benefits For Employees and Agents
Supplementary Contracts Without Life Contingencies
Policy and Contract Claims
Policy and Contract Claims not Included Elsewhere
Loss Recognition and Prepaid Claim Reserve

- _____ Is there an established process that includes verification of the in-force status of the policy before the claim is processed? By (whom) _____.
- _____ Are reviews or tests of policy reserves and premium valuation output performed to ensure that in-force policies and related data are included in the proper valuation category (e.g., plan/year/age), appropriate factors have been applied, and calculations are accurate? By (whom) _____.
- _____ Are changes to the master policy file and losses data authorized and approved? Are persons authorized to make additions, deletions, and changes to the master file limited in number and scope of job responsibilities? By (whom) _____.
- _____ Are master file transactions accounted for by input/output reconciliation controls (e.g., batch totals, hash totals, numerical sequence, edit reports)? By (whom) _____.
- _____ Are controls (review, reconciliation, or edit) in effect to ensure that master files and other records are updated to reflect benefits paid? By (whom) _____.
- _____ Is the nature and amount of benefits paid authorized and compared to policy coverage, dividend scale, cash value, etc., prior to payment? By (whom) _____.
- _____ Are benefit payments and supporting documents reviewed and approved in accordance with established policy provisions (e.g., over a certain amount) prior to issuing a draft or check? By (whom) _____.
- _____ Are reviews performed to determine that continuous claim benefit payments (e.g., disability claims annuity benefits) are valid and supported by appropriate documentation? By (whom) _____.
- _____ Are benefit payments subject to independent testing or other periodic quality control checks? By (whom) _____.
- _____ Is there a segregation of duties between those responsible for maintaining the benefit payment records and those responsible for processing cash disbursements? By (whom) _____.
- _____ Do procedures exist to ensure that transactions are recorded in the correct accounting period? By (whom) _____.

Control Risk—Loss Cycle (continued)

- _____ Are benefit disbursement records reconciled to postings for benefit expense, suspense, and other general ledger accounts? By (whom) _____.
- _____ Is a review for an accurate cut-off of benefit payments made for each accounting period including timely clearance of suspense accounts? By (whom) _____.
- _____ Are actual investment, mortality, morbidity, and expense experience compared with assumed experience by lines of insurance to evaluate continued appropriateness of assumptions and whether provisions for losses are required (e.g., actual experience is substituted for assumed experience in the gross premium calculation)? By (whom) _____.
- _____ Do procedures exist to ensure that drafts written were recorded in the correct accounting period and those not presented for payment were recorded as a liability in accordance with SSAP No. 2, paragraph 8? By (whom) _____.
- _____ Are inventories of reported and unpaid claims maintained and periodically reconciled to due and unpaid claim liability listings and the general ledger? By (whom) _____.
- _____ Are estimated liabilities for resisted and litigated claims reviewed and evaluated for reasonableness? By (whom) _____.
- _____ Are the reserving methodology and valuation practices reviewed and approved by management? By (whom) _____.
- _____ Are processing backlogs compared to normal levels and considered in claim reserving calculations? By (whom) _____.
- _____ Are comparisons made to determine that policy reserves are released when death claim liabilities are established? By (whom) _____.
- _____ Are aggregate reserve and reserve changes by line of business reviewed, and are significant fluctuations investigated? By (whom) _____.
- _____ Are policy reserve calculations performed by internal audit or an outside consultant and compared to recorded reserve estimates? By (whom) _____.

Control Risk—Premium Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Premium Notes

Life Insurance Premium/Annuity Considerations Deferred and Uncollected

Accident and Health Premiums Due and Unpaid

Provision for Experience Rating and other Refunds Due

Premium and Annuity Considerations Received in Advance

Commissions to Agents Due or Accrued

Amounts Held for Agent's Account

Cost of Collection on Premiums/Annuity Deferred and Uncollected

Remittances and Items not Allocated

Uninsured Accident and Health Accounts

Bills Receivable

Commuted Commissions

Agents Balances (nonadmitted)

_____ Are policy applications checked independently for compliance with company underwriting standards?
By (whom) _____.

_____ Does management periodically review the underwriting performance of agents, brokers, and sales
personnel? By (whom) _____.

_____ Does the company have procedures in place that comply with state requirements over the licensing
and appointing of agents? By (whom) _____.

_____ Does management periodically evaluate the financial condition of outside agents or others (MGA's)
who handle the premiums? By (whom) _____.

_____ Are underwriting standards approved by management on a current basis? By (whom)
_____.

_____ Are premium and commission discrepancy write-offs reviewed and approved independently?
By (whom) _____.

_____ Are policy term, effective/expiration dates, and lines of insurance tested? Are exceptions
independently investigated? By (whom) _____.

_____ Are renewal listings reconciled and/or matched to billing, cancellation, and expiration listings? By
(whom) _____.

_____ Are policy forms approved, pre-numbered, and sequence of policies issued verified independently?
By (whom) _____.

_____ Are premium adjustments resulting from endorsements, cancellations, and audits checked
independently for accuracy? By (whom) _____.

_____ Is there a procedure for approval of deletions other than expirations? By (whom)
_____.

Control Risk—Premium Cycle (continued)

- _____ Are premium billings and rate determinations periodically tested for accuracy and agreement with rate books, contracts, or other supporting documentation? By (whom) _____.
- _____ Are commission statements periodically tested for accuracy and agreement with commission schedules? By (whom) _____.
- _____ Is the accuracy of agents' balances/premiums receivable aging independently checked? By (whom) _____.
- _____ Is the detail of agents' balances/premiums receivable records and the premiums written per premium register reconciled to general ledger control accounts regularly? By (whom) _____.
- _____ Does someone independent of the actual transaction function review the recorded receivable transactions? By (whom) _____.
- _____ Are follow-ups conducted for past due accounts and are these accounts independently monitored for potential write-offs? By (whom) _____.
- _____ Are all billing records reconciled to premium registers? By (whom) _____.
- _____ Do procedures exist that restrict access of in-force files to unauthorized personnel? By (whom) _____.
- _____ Are procedures to review suspense accounts established to ensure they are properly cleared? By (whom) _____.

Control Risk—Reinsurance Cycle

Note: The section that follows includes examples of internal control procedures that are commonly utilized by insurers for the specific audit objective. Please insert specific control procedures used by the company not listed below. To the extent that the sample controls listed below are applicable, indicate such with a check mark next to the respective control or procedure, along with an indication of who (delete the whom in the control) at the company performs the procedure. These controls will be evaluated to determine whether such procedures are in place at the company.

Reinsurance

Amounts Recoverable from Reinsurers

Reinsurance in Unauthorized Companies

Funds Held Under Reinsurance Treaties

- _____ Are reinsurance contracts reviewed for compliance with state regulations? By (whom) _____.
- _____ Are reinsurance contract terms and amendments reviewed for compliance with company guidelines prior to execution? By (whom) _____.
- _____ Are reinsurance contract terms and expected results properly documented prior to execution? By (whom) _____.
- _____ Do procedures exist to ensure that reinsurance accounting transactions (expense allowances, experience refunds, contingency reserves, mean reserve adjustments, recaptures, etc.) are reviewed, compared to contract terms and expected results, and approved in accordance with SSAP No. 61, paragraphs 21-55? By (whom) _____.
- _____ Are ceding companies and intermediaries approved with regards to business reputation, financial stability, and experience prior to contract execution and monitored on a continuous basis? By (whom) _____.
- _____ Are assuming companies and intermediaries approved with regards to business reputation, financial stability, and experience prior to contract execution and monitored on a continuous basis? By (whom) _____.
- _____ Are amounts due from ceding and assuming companies and intermediaries reviewed for collectibility in accordance with SSAP No. 61, paragraph 41 and SSAP No. 5? By (whom) _____.
- _____ Are reviews performed to ascertain that timely reports and accounting data are received from ceding companies or intermediaries and used to record transactions? By (whom) _____.
- _____ Are activity analyses for cumulative reinsurance contracts prepared and reviewed to assist in evaluation of profitability, risk exposure, contract variance, and expected results? By (whom) _____.
- _____ Are controls and accounting records for ceding entities independently tested or reviewed to substantiate accounting data provided or to monitor compliance with contract provisions? By (whom) _____.
- _____ Is an independent review conducted of a ceding company's underwriting practices, claims processing, loss reserving, and actuarial policies and procedures? By (whom) _____.
- _____ Are recorded amounts of ceded reinsurance reconciled to detailed policy and reinsurance records? By (whom) _____.

Control Risk—Reinsurance Cycle (continued)

- _____ Is an evaluation of the need for adequacy letters of credit or collateral conducted prior to contract execution and monitored on a continuous basis? By (whom) _____.
- _____ Are reinsurance limitations as well as mortality and morbidity rates considered during the underwriting process? By (whom) _____.
- _____ Is the assuming company authorized to transact reinsurance within the ceding company's state of domicile? If not, are letters of credit or other means of security provided? By (whom) _____.
- _____ Are reinsurance transactions, claims processing, premium collection, key information systems functions, and general accounting activities appropriately segregated? Are independent reviews conducted of the work performed? Are the reinsurance receivables/payables reviewed by someone independent of the transactional function? By (whom) _____.
- _____ Do data files and production programs have adequate safeguards against unauthorized access? Are there proper safeguards over access to any collateral held by the ceding entity from the assuming entity, including funds held under coinsurance? By (whom) _____.